

Consolidated Financial Statements and OMB Circular A-133  
Supplementary Information Together with  
Reports of Independent Certified Public Accountants

**HOUSING WORKS, INC. AND AFFILIATES**

For the year ended June 30, 2015,  
with summarized comparative information for the year ended June 30, 2014

# HOUSING WORKS, INC. AND AFFILIATES

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**Housing Works, Inc. and Affiliates:**

### **Report on the financial statements**

We have audited the accompanying consolidated financial statements of Housing Works, Inc. and Affiliates (collectively, the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management’s responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Works, Inc. and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position, the consolidating schedule of revenues and expenses, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 16, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

#### *Report on 2014 summarized comparative information*

We have previously audited the Organization's 2014 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 30, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Grant Thornton LLP*

New York, New York  
March 16, 2016

**HOUSING WORKS, INC. AND AFFILIATES**  
**Consolidated Statement of Financial Position**  
**As of June 30, 2015, with summarized comparative totals as of June 30, 2014**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,521,751	\$ 762,122
Health service receivables, net	3,298,806	3,038,622
Grants and contract service receivables	2,024,988	1,903,420
Contributions receivable	228,325	339,848
Pharmacy receivable	550,999	-
Thrift shop and bookstore inventory, net	6,168,009	6,979,595
Prepaid expenses and other assets	885,129	558,006
Total current assets	<u>14,678,007</u>	<u>13,581,613</u>
<b>LONG-TERM ASSETS</b>		
Restricted cash - debt service and contingency reserve funds	839,986	840,022
Security deposits and other assets	1,941,052	1,814,809
Property and equipment, net	25,076,391	26,911,691
Total long-term assets	<u>27,857,429</u>	<u>29,566,522</u>
Total assets	<u>\$ 42,535,436</u>	<u>\$ 43,148,135</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 8,470,083	\$ 7,021,195
Current maturities of loans payable	2,691,841	942,439
Medicaid payable	-	292,857
Total current liabilities	<u>11,161,924</u>	<u>8,256,491</u>
<b>LONG-TERM LIABILITIES</b>		
Loans payable	5,070,808	7,233,698
Deferred revenue - HHAC	3,161,928	3,388,259
Deferred rent payable	1,408,885	1,301,365
Other liabilities	587,488	783,810
Total long-term liabilities	<u>10,229,109</u>	<u>12,707,132</u>
Total liabilities	<u>21,391,033</u>	<u>20,963,623</u>
Noncontrolling interest in Fitzpatrick Associates Limited Partnership	<u>480,197</u>	<u>547,437</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Unrestricted	19,645,610	20,623,310
Temporarily restricted	361,081	356,250
Permanently restricted	657,515	657,515
Total net assets	<u>20,664,206</u>	<u>21,637,075</u>
Total liabilities and net assets	<u>\$ 42,535,436</u>	<u>\$ 43,148,135</u>

*The accompanying notes are an integral part of this consolidated financial statement.*

# HOUSING WORKS, INC. AND AFFILIATES

## Consolidated Statement of Activities

For the year ended June 30, 2015, with summarized comparative totals for the year ended June 30, 2014

	2015			2014 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>OPERATING REVENUES AND OTHER SUPPORT</b>					
Grants and contract services	\$ 10,729,347	\$ -	\$ -	\$ 10,729,347	\$ 10,545,643
Bookstore sales	2,500,253	-	-	2,500,253	2,253,602
Thrift shops sales	16,777,874	-	-	16,777,874	17,288,028
Health service revenue	21,434,617	-	-	21,434,617	18,207,358
Pharmacy revenue	1,329,466	-	-	1,329,466	-
In-kind contributions	18,470,169	-	-	18,470,169	20,889,599
Contributions	3,687,664	325,000	-	4,012,664	3,096,871
Rental income on apartments	1,490,620	-	-	1,490,620	1,201,691
Food services	1,693,418	-	-	1,693,418	2,045,738
Other revenue	599,146	-	-	599,146	865,126
Net assets released from restrictions	320,169	(320,169)	-	-	-
Total operating revenues and other support	<u>79,032,743</u>	<u>4,831</u>	<u>-</u>	<u>79,037,574</u>	<u>76,393,656</u>
<b>EXPENSES</b>					
Program services:					
Housing programs	8,830,351	-	-	8,830,351	6,886,813
Bookstore	5,061,092	-	-	5,061,092	4,641,904
Thrift shops	31,947,103	-	-	31,947,103	31,725,558
Health and service programs	21,553,199	-	-	21,553,199	18,672,918
Food services	2,745,451	-	-	2,745,451	2,891,482
Advocacy, legal and advisory services	2,983,804	-	-	2,983,804	2,759,942
Research	58,978	-	-	58,978	117,812
Property and facility management	209,144	-	-	209,144	1,071,312
Total program expenses	<u>73,389,122</u>	<u>-</u>	<u>-</u>	<u>73,389,122</u>	<u>68,767,741</u>
Management and general	5,654,666	-	-	5,654,666	5,948,008
Fundraising	1,033,895	-	-	1,033,895	1,002,794
Total expenses	<u>80,077,683</u>	<u>-</u>	<u>-</u>	<u>80,077,683</u>	<u>75,718,543</u>
<b>NON-OPERATING REVENUES AND OTHER SUPPORT</b>					
Limited partnership interest share of gain loss on Fitzpatrick Associates Limited Partnership	67,240	-	-	67,240	23,451
Inherent contribution - acquisition of HIV Law Project, Inc.	-	-	-	-	229,226
Total non-operating revenues and other support	<u>67,240</u>	<u>-</u>	<u>-</u>	<u>67,240</u>	<u>252,677</u>
Change in net assets	(977,700)	4,831	-	(972,869)	927,790
Net assets, beginning of year	<u>20,623,310</u>	<u>356,250</u>	<u>657,515</u>	<u>21,637,075</u>	<u>20,709,285</u>
Net assets, end of year	<u>\$ 19,645,610</u>	<u>\$ 361,081</u>	<u>\$ 657,515</u>	<u>\$ 20,664,206</u>	<u>\$ 21,637,075</u>

The accompanying notes are an integral part of this consolidated financial statement.

# HOUSING WORKS, INC. AND AFFILIATES

## Consolidated Statement of Functional Expenses

For the year ended June 30, 2015, with summarized comparative totals for the year ended June 30, 2014

	Housing Programs	Bookstore	Thrift Shops	Health and Service Programs	Food Services	Advocacy, Legal and Advisory Services	Research	Property and Facility Management	Total Program Expenses	Management and General	Fundraising	2015 Total Expense	2014 Total Expense
EXPENSES													
Salaries and wages	\$ 3,863,536	\$ 797,424	\$ 5,574,371	\$ 11,454,571	\$ 1,227,751	\$ 1,574,929	\$ -	\$ 156,728	\$ 24,649,310	\$ 2,106,676	\$ 316,897	\$ 27,072,883	\$ 24,393,655
Fringe benefits	914,250	149,016	1,041,692	2,290,360	229,432	330,066	-	29,288	4,984,104	574,077	59,219	5,617,400	5,577,191
Professional service fees	89,396	12,284	124,216	392,388	22,396	128,385	52,650	-	821,715	572,735	75,164	1,469,614	1,343,842
Contracted services	239,807	126,879	1,087,547	1,301,589	87,996	103,777	2,995	16,446	2,967,036	254,145	32,505	3,253,686	2,977,982
Client stipends and reimbursements	108,351	-	-	202,202	18,051	27,545	-	-	356,149	15,537	-	371,686	296,272
Supplies	138,320	126,121	432,678	422,974	40,891	83,854	-	-	1,244,838	201,792	33,535	1,480,165	1,307,332
Occupancy													
Office/retail	72,976	358,294	4,264,671	1,399,506	23,110	226,425	-	-	6,344,982	333,968	52,701	6,731,651	6,652,763
Client	508,923	-	-	-	-	-	-	-	508,923	5,400	-	514,323	616,340
Utilities													
Office	595,746	93,356	477,011	537,121	31,614	92,683	1,719	4,078	1,833,328	137,198	22,159	1,992,685	1,656,548
Client	107,269	-	233	37	-	180	-	-	107,719	-	-	107,719	121,405
Transportation	110,729	2,381	376,558	768,165	38,574	162,443	-	-	1,458,850	18,979	476	1,478,305	1,260,750
Equipment rental, repairs and maintenance	126,307	17,929	71,311	124,521	227,484	6,982	-	14	574,548	84,771	78	659,397	551,498
Facility repairs and maintenance	354,626	11,663	108,690	56,114	1,424	5,393	-	-	537,910	5,242	387	543,539	466,515
Client participation expenses	131,820	146,849	181,241	1,071,138	743,490	30,694	-	-	2,305,232	8,123	7,785	2,321,140	1,533,315
Staff expense	32,030	6,824	27,313	55,694	9,941	67,040	-	-	198,842	72,996	579	272,417	230,106
Insurance expense	139,911	29,212	196,418	294,672	23,600	39,858	1,614	-	725,285	58,410	14,316	798,011	743,729
Depreciation and amortization	1,207,267	42,641	335,649	790,978	5,948	14,959	-	2,590	2,400,032	699,739	-	3,099,771	3,334,626
Gift-in-kind expense	-	2,500,253	16,777,874	-	-	-	-	-	19,278,127	-	-	19,278,127	19,576,859
Event expense	13,536	5,296	269,489	16,739	6,203	38,333	-	-	349,596	14,287	308,915	672,798	784,815
Interest and finance fees	38,214	4,171	243,648	343,000	211	1,005	-	-	630,249	399,135	12,531	1,041,915	1,450,544
Other expenses	37,337	630,499	356,493	31,430	7,335	49,253	-	-	1,112,347	91,456	96,648	1,300,451	842,456
Total expenses	\$ 8,830,351	\$ 5,061,092	\$ 31,947,103	\$ 21,553,199	\$ 2,745,451	\$ 2,983,804	\$ 58,978	\$ 209,144	\$ 73,389,122	\$ 5,654,666	\$ 1,033,895	\$ 80,077,683	\$ 75,718,543

The accompanying notes are an integral part of this consolidated financial statement.

# HOUSING WORKS, INC. AND AFFILIATES

## Consolidated Statement of Cash Flows

For the year ended June 30, 2015, with summarized comparative totals for year ended June 30, 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (972,869)	\$ 927,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,099,771	3,342,956
Inherent contribution - aquisition of HIV law project	-	(229,226)
Changes in operating assets and liabilities:		
Increase in health service receivables, net	(260,184)	(75,053)
Increase in grants and contract service receivables	(121,568)	(113,585)
Decrease in contributions receivable	111,523	121,626
Increase in pharmacy receivable	(550,999)	-
Decrease (increase) in thrift shop and bookstore inventory	811,586	(1,327,226)
(Increase) decrease in prepaid expenses and other assets	(327,123)	463,801
(Increase) decrease in security deposits and other assets	(126,243)	68,418
Increase in accounts payable and accrued expenses	1,448,888	442,283
(Decrease) increase in medicaid payable	(292,857)	124,262
Decrease in deferred revenue - HHAC	(226,331)	(152,239)
Increase in deferred rent payable	107,520	193,709
(Decrease) increase in other liabilities	(196,322)	278,267
Net cash provided by operating activities	<u>2,504,792</u>	<u>4,065,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,264,471)	(2,190,356)
Cash received in acquisition of HIV law project	-	90,727
Net cash used in investing activities	<u>(1,264,471)</u>	<u>(2,099,629)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in restricted cash - debt service and contingency reserve funds	36	34,654
Increase in line of credit payable	-	250,000
Proceeds from loans	1,070,225	-
Repayments of loans payable	(1,483,713)	(1,790,989)
Decrease in noncontrolling interest	(67,240)	(23,451)
Net cash used in financing activities	<u>(480,692)</u>	<u>(1,529,786)</u>
Net increase in cash	759,629	436,368
Cash, beginning of year	<u>762,122</u>	<u>325,754</u>
Cash, end of year	<u>\$ 1,521,751</u>	<u>\$ 762,122</u>

### Supplemental cash flow information:

Cash paid for interest amounted to \$329,635 and \$322,697 in 2015 and 2014, respectively.

*The accompanying notes are an integral part of this consolidated statement.*



# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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### 1. ORGANIZATION AND NATURE OF ACTIVITIES

Housing Works, Inc. (“HWI”) was organized in May 1990 for the purpose of providing assistance and expertise to homeless persons living with AIDS or HIV-related illnesses; advocating for homeless services; and providing expertise in the development of housing for homeless persons living with AIDS or HIV-related illnesses.

To assist in providing these services, HWI established the following separately incorporated affiliates (collectively, the “Organization”), which, through sole membership, are controlled by HWI:

Housing Works Used Book Café, Inc. (the “Bookstore”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. The Bookstore primarily sells donated books and records; the café serves sandwiches, soups and assorted refreshments and hosts special events.

Housing Works Thrift Shop, Inc. (“Thrift”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. Thrift receives and primarily sells clothing and other donated goods from twelve shops located in New York City.

Housing Works Food Services, Inc. (“HWFSC”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. HWFSC provides institutional catering services to day treatment centers, supportive residences and other facilities, including community catering.

Housing Works Services, Inc. (“HWS1”), located at 743-749 East 9<sup>th</sup> Street, New York City, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. These facilities provide a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS1 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Services II, Inc. (“HWS2”), with facilities located at 320 West 13<sup>th</sup> Street, New York City, and 57 Willoughby Street, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. The 13<sup>th</sup> Street facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses; the Willoughby Street facility provides the same services as HWS1, but only to women. In addition, HWS2 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Health Services III, Inc. (“HWS3”), located at 2626 Pitkin Avenue, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. This facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS3

## **HOUSING WORKS, INC. AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

**June 30, 2015 and 2014**

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promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Gotham Assets Management Services (“Gotham”) is a for-profit corporation established to provide property management and logistical services to the Organization. Gotham applied for tax exempt status under Section 501(a) of the Internal Revenue Code, but tax exemption was never obtained and Gotham has since been selected for audit by the Internal Revenue Service (“IRS”) to clarify the taxpayer’s tax status. Gotham has not received its tax exemption status as of year-end. In the opinion of management, this audit is not expected to have a material adverse effect on the Organization’s consolidated financial statements.

Housing Works Housing Development Fund Corporation (“HWDC1”), located at 743-749 East 9<sup>th</sup> Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works East New York Housing Development Fund Corporation (“HWDC2”), located at 2640 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Harlem Housing Development Fund Corporation, Inc. (“HWDC3”), located at 143-145 West 130<sup>th</sup> Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Pitkin Avenue Housing Development Fund Corporation, Inc. (“PitkinHDFC”), located at 2609 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 454 Lexington Avenue Housing Development Fund Corporation, Inc. (“LEX”), located at 454 Lexington Avenue, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 874 Jefferson Avenue Housing Development Fund Corporation, Inc. (“JEFF”), located at 874 Jefferson Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Bronx Claremont Parkway G. P., Inc. (“BCP”), an entity controlled by HWI was established and subsequently received a general partnership interest in Fitzpatrick Associates Limited Partnership (“Fitzpatrick”). Fitzpatrick was formed to acquire, own, finance, construct, develop and manage a multifamily supportive housing project. As of year-end, Fitzpatrick operates a housing facility consisting of sixteen apartment units, and BCP retains its ownership interest to Fitzpatrick.

AIDS Treatment Data Network, Inc. (“ATDN”) is a not-for-profit, independent, community-based organization that provides case management and support services through one-on-one encounters. Resources are also provided to clients by way of various electronic media.

Life Force: Women Fighting AIDS, Inc. (“Life Force”) is a not-for profit, independent, community-based organization whose mission is to reduce the incidence of HIV/AIDS and to address the other broad range of health issues of women of color, particularly in Brooklyn, New York. Life Force addresses the need

# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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for HIV education through peer-led education initiatives, and, in this effort, works to identify and mobilize the resources of the community it serves.

In May 2012, the Organization formed Housing Works 220 Hull Housing Development Fund Corporation (“Hull”), located at 220 Hull Street, Brooklyn, New York. Hull is registered in New York State; 501(c)(3) status was granted in March 2013 by the IRS. The purpose of Hull is to develop vacant land, located at its address, into a supportive housing residence. Capital funding for the construction of the new housing facility is pending.

In September 2012, the Organization acquired Positive Health Project, Inc. (“PHP”). PHP is a not-for-profit, culturally diverse, community-based organization whose mission is to improve the health and quality of life of drug users, sex workers, and others who engage in behavior that puts them and the community at risk for HIV/AIDS, hepatitis and other sexually transmitted diseases. PHP accomplishes this by providing disease prevention, social and clinical health services, and education based in the harm reduction philosophy. Positive Health Project, Inc. is funded primarily from government agencies.

In September 2013, the Organization acquired and therefore absorbed the net assets and operations of HIV Law Project, Inc. (“HLP”). HLP is a not-for-profit, community-based organization which believes that all people deserve the same rights, including the right to live with dignity and respect, the right to be treated as equal members of society, and the right to fulfill basic human needs. Yet, these fundamental rights are elusive for many people living with HIV/AIDS (“PLWHAs”). Through innovative legal services and advocacy programs, HLP fights for the rights of the most underserved PLWHAs. The fair market value of HLP’s net assets totaled approximately \$229,000 at the time of acquisition and was recorded as an inherent contribution on the consolidated statement of activities.

In January 2014, the Organization formed Housing Works Lyman Prospect Housing Development Fund Corporation (“LPHDFC”), located at 57 Willoughby Street, Brooklyn, New York. LPHDFC is registered in New York State; 501(c)(3) status was granted in June 2014 by the IRS. The purpose of LPHDFC is to provide supportive housing residence for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses at two buildings located at 1344 Lyman Place, Bronx, New York and 1412 Prospect Avenue, Bronx, New York.

The Organization, except Gotham and BCP, were incorporated as not-for-profit corporations under the laws of the State of New York and are classified as 501(c)(3) organizations, which are exempt from income taxes under Section 501(a) of the Internal Revenue Code. Gotham has applied for tax exempt status under Section 501(a) of the Internal Revenue Code; however they have not yet received exemption at year-end. In anticipation of receiving such exemption, no provision for income taxes has been made in the accompanying consolidated financial statements for the Organization. Fitzpatrick is treated as a partnership for tax purposes; and therefore, BCP reports its share of taxable income and loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) using the accrual basis of accounting. All intercompany transactions and balances have been eliminated in consolidation. The

# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

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Organization's net assets and related revenues and support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

#### *Unrestricted Net Assets*

Net assets that are expendable for the general operations of the Organization.

#### *Temporarily Restricted Net Assets*

Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. At June 30, 2015 and 2014, temporarily restricted net assets were both time restricted and restricted for use in the Organization's health and housing programs.

#### *Permanently Restricted Net Assets*

Net assets whose use by the Organization is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income there from be utilized for operating or other donor-restricted purposes (Note 9). For the years ended June 30, 2015 and 2014, the Organization received no permanently restricted contributions.

### **Thrift Shop and Bookstore Inventory**

Inventory, which consists of donated goods for the thrift shops and bookstores, is stated at estimated fair value at the date of the gift. Fair value is determined using sales history and as such approximates the actual sales price of the donated items. The Organization receives donated goods via store drop-offs and residential pick-ups. In fiscal 2015 and 2014, through an agreement with the NYC Department of Sanitations, the Organization received donated items via collection bins in buildings located throughout NYC.

### **Property and Equipment, Net**

Property and equipment, net, are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements has been calculated over the lesser of the estimated useful lives of the assets or the related lease term. The Organization depreciates its assets using the half-year convention method in the first year the assets are placed in service. Assets are capitalized when the acquisition cost equals or exceeds the capitalization threshold of \$1,000. Assets are depreciated over the following useful lives:

Buildings and building improvements	30 years
Leasehold improvements	Lesser of the life of the lease or the asset 4 -15 years
Equipment, furniture and fixtures	4 - 13 years
Vehicles	4 years

### **Long-Lived Assets**

The Organization reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Organization considers important, which could trigger an impairment review, include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant

# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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changes in the Organization's use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends.

### Contributions

Contributions, both cash and in-kind, are recorded in the period received as unrestricted, temporarily restricted or permanently restricted revenue depending upon the existence or absence of donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions are recorded as unrestricted contributions if the restriction is met in the same reporting period. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any.

In-kind contributions of clothing, books and various other items are recorded as revenue and also capitalized as part of the Organization's inventory. Upon the sale of these goods, the inventory is relieved and a related gift-in-kind expense is recorded representing the cost of the goods sold.

### Revenues

Revenues from government grants, contracts, Pharmacy 340B Program, Medicaid, Medicare and other third-party health insurance payors are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Amounts received in advance are reported as deferred revenues. Contracts awarded for the acquisition of long-lived assets are reported as deferred revenue until the assets are acquired, at which time the award is recorded as unrestricted revenue. Revenues from the thrift shop and bookstore are recognized at the point of sale. Food services, which are generally driven by catering events, are recognized as earned. Rental income, which is generally earned pursuant to short-term leases for apartments, is recognized as earned. Apartment rents are paid partially by the tenants and partially subsidized through various Federal programs.

Medicaid and Medicare revenue is reimbursed to the Organization at the rate determined by state and federal regulations. Medicaid revenue, third-party insurance payors and other governmental grants and contracts under third-party payor agreements are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated third party payor settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. The provision for contractual allowances is deducted directly from revenue and the net revenue amount is recorded as accounts receivable. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

### Allowance for Uncollectible Accounts

The carrying value of grants and contract services receivable, contributions receivable, pharmacy receivable, and health services receivable are reduced by an appropriate allowance for uncollectible accounts, and therefore approximates net realizable value. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are

# **HOUSING WORKS, INC. AND AFFILIATES**

## **Notes to Consolidated Financial Statements**

### **June 30, 2015 and 2014**

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considered past due. The Organization writes off accounts receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

#### **Concentration of Credit Risk**

Cash is exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2015 and 2014, the Organization's cash was placed with high credit quality financial institutions and, accordingly, the Organization does not anticipate any losses with respect to these depository accounts.

#### **Fair Value of Financial Instruments**

The carrying amounts of cash, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, and other liabilities approximate their fair value due to the short-term maturity of these financial instruments. The Organization's long-term debt approximates fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Organization for debt of the same remaining maturities.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Taxes**

The Organization recognizes the tax effects from an uncertain tax position in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. As of June 30, 2015 and 2014, management determined that there are no material uncertain tax positions that require recognition or disclosure within its consolidated financial statements.

The Organization, except Gotham and BCP, is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, the Organization may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2012, 2013, 2014, and 2015 are still open to audit for both federal and state purposes.

#### **Presentation of Certain Prior Year Summarized Information**

The accompanying consolidated financial statements include prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended June 30, 2014, from which the summarized comparative information was derived.

**HOUSING WORKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**June 30, 2015 and 2014**

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**Reclassifications**

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the current year's presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2015 consolidated financial statements.

**3. PROPERTY AND EQUIPMENT, NET**

At June 30, 2015 and 2014, property and equipment, net, consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,609,069	\$ 1,609,069
Buildings and building improvements	21,668,424	21,068,496
Equipment, furniture and fixtures	9,537,999	8,859,535
Vehicles	425,739	425,739
Leasehold improvements	18,765,301	18,394,075
Capital leases	<u>2,578,209</u>	<u>2,398,678</u>
	54,584,741	52,755,592
Less: Accumulated depreciation and amortization	29,902,395	26,802,624
Construction in progress	<u>394,045</u>	<u>958,723</u>
	<u>\$ 25,076,391</u>	<u>\$ 26,911,691</u>

A portion of the Organization's property and equipment was purchased with funding received from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. Funding for certain capital expenditures was provided with the stipulation that if the Organization ceases to operate certain programs, which in management's opinion is unlikely, the related property and equipment could revert to the funding source.

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 totaled approximately \$3,100,000 and \$3,343,000, respectively.

**Capital Leases**

The Organization leases various office equipment under non-cancelable leasing arrangements that are classified as capital leases. The related cost and accumulated depreciation is included within "Property and equipment, net" in the accompanying consolidated statement of financial position, and at June 30, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 2,551,824	\$ 2,372,293
Vehicles	<u>26,385</u>	<u>26,385</u>
	2,578,209	2,398,678
Less: Accumulated depreciation	<u>1,612,734</u>	<u>1,062,155</u>
	<u>\$ 965,475</u>	<u>\$ 1,336,523</u>

# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

### June 30, 2015 and 2014

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Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, included within “Loans payable” in the accompanying consolidated statement of financial position at June 30, 2015, were as follows:

<b>Year ending June 30,</b>	
2016	\$ 455,167
2017	340,656
2018	187,170
2019	46,678
	<u>1,029,671</u>
Less: Amount representing interest	<u>28,525</u>
	<u>\$ 1,001,146</u>

#### 4. INVESTMENTS

##### **Related Entities**

On June 6, 2003, the Organization acquired a 25% ownership interest in a management service organization (the “MSO”) for \$260,000. This investment is accounted for under the equity method. At June 30, 2015 and 2014, the investment was valued at \$0, due to the MSO’s accumulated deficit. The MSO provided financial management services to the Organization during the years ended June 30, 2015 and 2014, for which the Organization paid approximately \$1,510,000 and \$1,397,000, respectively.

During fiscal 2003, the Organization acquired an 18% ownership interest in Amida Care, Inc. for \$300,000. This investment is accounted for at cost. A \$300,000 impairment of this investment was recorded during fiscal 2005. During the years ended June 30, 2015 and 2014, the Organization contributed no additional capital. At June 30, 2015 and 2014, the investment in Amida Care, Inc. was fully reserved for since Amida Care, Inc. had an accumulated deficit at those times. In addition, the Organization has entered into and guaranteed loans on behalf of Amida Care, Inc. (Note 5).

On June 7, 2010, Bronx Claremont Parkway G.P., Inc. (“BCP”), an entity controlled by HWI, was admitted without consideration as General Partner to Fitzpatrick Associates Limited Partnership (“Fitzpatrick”) with a partnership interest of 1%. Fitzpatrick was formed to acquire, own, construct, develop, manage and operate a supportive housing facility. The facility consists of eighteen (18) apartment units available for rental to homeless and low-income individuals. The facility was financed through a note from the Homeless Housing Assistance Corporation (“HHAC”) in the amount of approximately \$2.1 million and through the sale of limited partnership interests to U.S.A. Institutional Tax Credit Fund VII L.P. HWI is acting as guarantor on the HHAC mortgage. BCP is deemed to control Fitzpatrick, and, accordingly, the consolidated financial position of Fitzpatrick and BCP is reflected in the consolidated financial statements of the Organization. BCP’s percentage of interest to Fitzpatrick remained the same as of June 30, 2015 and 2014.



**HOUSING WORKS, INC. AND AFFILIATES**  
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**5. LOANS PAYABLE**

At June 30, 2015 and 2014, loans payable consisted of the following:

	<u>2015</u>	<u>2014</u>
Mortgage payable - \$4,285,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2015 and 2014. The mortgage is with Dormitory Authority of the State of New York ("DASNY") and is secured by the related property at 2626 Pitkin Avenue, Brooklyn, New York.	\$ 2,450,000	\$ 2,745,000
Mortgage payable - \$3,925,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2015 and 2014. The mortgage is with DASNY and is secured by the related property at 743-749 East 9th Street, New York City.	2,265,000	2,530,000
Mortgage payable - \$249,000 face amount, the loan bears an interest rate of 7.75% per annum, payable in monthly installments, and is scheduled to mature on July 1, 2021. The mortgage is secured by the property at 2609 Pitkin Avenue, Brooklyn, New York and is through the Low Income Housing Fund.	146,843	166,560
Loan payable - \$128,571 representing the Organization's pro rata share of a loan guaranteed by the partners Amida Care, Inc. The loan is payable by Amida Care, Inc. at an interest rate of 9% per annum. The Organization is required to make quarterly interest-only payments.	65,854	73,148
Loan payable - \$500,000 face amount payable in monthly installments of principal and interest. Interest is 6.5% per annum over an amortization period of 10 years. The loan is through the Low Income Investment Fund and matures on October 1, 2021.	233,806	261,641
Loan payable - \$580,000 Housing Works 220 Hull Housing Development Fund Corporation, bears an interest of 7% per annum. The loan is through the Corporation of Supportive Housing and shall be due the earlier of April 1, 2015 or construction closing. As of year-end construction is still on-going.	580,000	580,000
Housing Works, Inc. opened a Line of Credit account with Bank of America in fiscal 2014 for \$250,000 to fund its working capital operations. The Line of Credit agreement requires monthly payment of only interest expense of 4.25% and matures on January 10, 2016.	250,000	250,000
Loan payable - \$1,000,000 secured in individual borrowings through the Foundation for Philanthropic Funds ("FJC"). Interest at prime plus 3% paid monthly. Principle must be paid within 18 months. Current maturity is March 31, 2016.	770,000	-
Liabilities under capital leases (Note 3)	<u>1,001,146</u>	<u>1,569,788</u>
Total loans payable	7,762,649	8,176,137
Less: Current maturities	<u>(2,691,841)</u>	<u>(942,439)</u>
Long-term portion	<u>\$ 5,070,808</u>	<u>\$ 7,233,698</u>

**HOUSING WORKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
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Loans not associated with housing facilities are collateralized by the Thrift inventory and/or the Medicaid receivables.

Future principal payments on loans payable are as follows at June 30, 2015:

<b>Year ending June 30,</b>	
2016	\$ 2,611,841
2017	1,010,822
2018	882,337
2019	779,722
2020	766,889
Thereafter	<u>1,631,038</u>
	<u>\$ 7,682,649</u>

For the years ended June 30, 2015 and 2014, interest expense totaled approximately \$330,000 and \$323,000, respectively.

At June 30, 2015 and 2014, debt service and contingency reserve funds totaled approximately \$840,000, and consisted of cash on deposit (Level 1). These assets are maintained with the trustee in accordance with the DASNY bond indentures and collateral with financial institutions as required by the respective loan agreements.

Mortgage loans provided by DASNY included funding for start-up costs.

**6. MEDICAID PAYABLE**

During the year ended June 30, 2014, the State of New York made retroactive rate adjustments in primary care and dental reimbursement rates. As a result, the Organization owed approximately \$293,000 at June 30, 2014. At June 30, 2015, there was no outstanding payable and no further adjustments were deducted from State reimbursements.

**7. PHARMACY 340B PROGRAM**

In April 2015, Housing Works Health Services (“HWHS”) began participation in the United States Federal program requiring drug manufactures to provide outpatient drugs to eligible health care organizations at significantly reduced prices. The intent of the program is to allow entities to stretch federal resources, reaching more eligible patients and providing more comprehensive services to them. HWHS has contracted with community pharmacies to administer these services to their patients for a fee. These contracts authorize the pharmacy to bill Medicaid, Medicare and third-party insurance remitting the collected funds less their fees to HWHS. The pharmacy fees cover the cost of drugs and administrative fees, and allow the pharmacy to purchase directly from the Drug Wholesalers the drugs which replenish their stock. At June 30, 2015, HWHS recognized revenue of approximately \$1,329,000 and expenses of approximately \$778,000 for the cost of drugs and administrative fees.

# HOUSING WORKS, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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### 8. DEFERRED REVENUE

The Bronx-Clairemont homeless housing facility associated with Fitzpatrick was financed through two notes. The first note is from the New York State Homeless Housing Assistance Corporation, and closed on July 30, 1997 in the amount of \$2,113,216 with a term of thirty years. The note bears no interest and repayment is not required as long as the housing facility remains available for low-income persons in accordance with regulatory agreements and regulations. The Organization believes that the possibility of the facility not maintaining its status as a low-income housing facility throughout the term of the advance is remote, and therefore, repayment would not be required. As such, the Organization believes that the appropriate treatment of the advance is to be recognized as deferred revenue that is amortized into service revenue over the thirty-year life of the agreement. At June 30, 2015 and 2014, the unamortized balances of approximately \$852,000 and \$922,000, respectively, were reflected in the consolidated statement of financial position as "Deferred revenue - HHAC." The second note is from the NYC Department of Housing and Urban Development, and closed on November, 1995 in the amount of \$150,000 under a similar arrangement also covering a thirty year term. As such, the Organization believes that the appropriate treatment of the advance is to be recognized as deferred revenue that is amortized into service revenue over the thirty-year life of the agreement. At June 30, 2015 and 2014, the unamortized balances of approximately \$51,000 and \$56,000, respectively, were reflected in the consolidated statement of financial position as "Deferred revenue - HHAC."

During the fiscal year 2012, the Organization's 874 Jefferson Housing Development Fund Corporation received funds of \$252,608 from The New York City Department of Housing Preservation and Development under a similar arrangement which covers a twenty five-year term. The Organization is amortizing this amount into service revenue over that term. At June 30, 2015 and 2014, the unamortized balances of approximately \$217,000 and \$227,000, respectively, were reflected in the consolidated statement of financial position as part of "Deferred revenue - HHAC."

During the fiscal year 2014, the Organization acquired two additional properties as part of a contract with the New York State Homeless Housing Assistance Corporation. The contract has a remaining term of fourteen years and requires the Organization to provide housing for persons that would otherwise be homeless. Performance under the terms of the contract is secured by mortgage notes on the properties that are only payable in the event the Organization defaults under the terms of the contract. The Organization believes that the possibility of the facility not maintaining its status as a homeless housing facility throughout the term of the contract to be remote, and therefore, repayment would not be required. The properties received have been recorded at their fair value of approximately \$2,250,000 with a credit to deferred revenue to be recognized as the Organization performs over the remaining year terms of the contract. At June 30, 2015 and 2014, the unamortized balance of approximately \$2,022,000 and \$2,183,000, respectively, was reflected in the consolidated statement of financial position as "Deferred revenue - HHAC."

### 9. ENDOWMENTS

During fiscal 2006, the Organization received two donor restricted endowments. One was established in the name of Keith Cylar and the other as a general endowment. During the year ended June 30, 2012, the Organization received permission from the two largest contributors to the endowment stating that the funds they contributed could be borrowed to cover operating costs and as such liquidated these assets during the year. Management plans to replenish the borrowed endowment funds by June 30, 2017.

**HOUSING WORKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
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On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act (“NYPMIFA”), its version of the UPMIFA. All not-for-profit organizations formed in New York must apply this law. The College classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Organization; and the investment policy of the Organization.

The following table illustrates the changes in the Organization’s endowment net assets as of June 30, 2015 and 2014:

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted (endowment)	<u>\$ (657,515)</u>	<u>\$ 657,515</u>	<u>\$ -</u>
	<b>2014</b>		
	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted (endowment)	<u>\$ (657,515)</u>	<u>\$ 657,515</u>	<u>\$ -</u>

There were no endowment related activities for the years ended June 30, 2015 and 2014.

At June 30, 2015 and 2014, the Organization did not maintain any board designated (quasi) endowment funds.

**10. DEFINED CONTRIBUTION PLAN**

The Organization established a defined contribution plan for all eligible employees effective December 21, 1999. Effective July 1, 2008, after modifying the plan, the Organization began matching, up to a maximum of \$100 per month, each employee’s contribution to the 403(b) plan. Employees are all immediately 100% vested in the match. The Organization’s contribution for the years ended June 30, 2015 and 2014 totaled approximately \$95,000 and \$55,000, respectively.

**HOUSING WORKS, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
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**11. COMMITMENTS AND CONTINGENCIES**

The Organization is a party to various non-cancelable operating leases. These leases require minimum monthly rental payments during the first year of each lease and have scheduled increases thereafter.

Future minimum lease payments under these non-cancelable operating leases are as follow at June 30, 2015:

<b>Year ending June 30,</b>	
2016	\$ 4,658,297
2017	4,440,057
2018	4,080,212
2019	3,296,350
2020	3,092,778
Thereafter	<u>8,026,096</u>
	<u>\$ 27,593,790</u>

For the years ended June 30, 2015 and 2014, rent expense totaled approximately \$7,246,000 and \$7,261,000, respectively.

The straight-line basis is used to recognize rental expense under leases with varying rents over their terms. Deferred rent payable reflected in the accompanying consolidated statements of financial position represents the aggregate of the rent expense recognized on the straight-line basis in excess of the amount paid.

The Organization has been named in several lawsuits in the normal course of business. In the opinion of management, these claims are not expected to have a material adverse effect on the Organization's consolidated financial position, changes in net assets or cash flows.

**12. SUBSEQUENT EVENTS**

The Organization evaluated its June 30, 2015 consolidated financial statements for subsequent events through March 16, 2016, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**HOUSING WORKS, INC. AND AFFILIATES**  
**Consolidating Schedule of Financial Position**  
**As of June 30, 2015**

	LEX	JEFF	HWI	HWDC1	HWDC2	Bookstore	Thrift	HWS1	HWS2	HWS3	Willoughby	Food	Gotham	HWDC3	Bronx	Life Force	HULL	PITKIN	PHP	HIV	HW Lyman	ATDN	Total
<b>ASSETS</b>																							
<b>CURRENT ASSETS</b>																							
Cash	\$ 1,000	\$ 2,011	\$ 1,273,081	\$ 4,000	\$ 3,500	\$ 7,000	\$ 92,159	\$ 7,201	\$ 5,500	\$ 45,757	\$ 500	\$ 9,500	\$ 14,044	\$ 5,000	\$ 1,000	\$ -	\$ -	\$ -	\$ 500	\$ 49,824	\$ 174	\$ -	\$ 1,521,751
Health service receivables, net	-	-	707,914	-	-	-	-	807,407	1,113,263	633,054	37,168	-	-	-	-	-	-	-	-	-	-	-	3,298,806
Grant and contract service receivables	84,304	121,363	656,620	145,851	107,080	-	-	102,578	-	247,536	-	-	-	176,538	-	-	-	-	243,019	140,099	-	-	2,024,988
Contributions receivable	-	-	228,325	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	228,325
Pharmacy receivable	-	-	-	-	-	-	-	-	-	550,999	-	-	-	-	-	-	-	-	-	-	-	-	550,999
Thrift shop and bookstore inventory, net	-	-	-	-	-	893,635	5,221,111	-	-	-	-	53,263	-	-	-	-	-	-	-	-	-	-	6,168,009
Intercompany receivable/payable	(2,514,809)	(1,835,353)	23,462,424	(217,382)	(498,077)	(1,574,275)	4,019,175	(2,949,773)	1,441,335	(1,342,799)	(11,583,456)	(1,352,203)	472,618	(3,443,754)	(262,589)	(72,166)	79,757	(1,055,579)	(331,064)	17,174	(189,595)	(269,609)	-
Prepaid expenses and other assets	10,000	-	806,873	-	-	2,616	36,654	26,816	-	-	-	-	-	-	-	-	-	2,170	-	-	-	-	885,129
Total current assets	<u>(2,419,505)</u>	<u>(1,711,979)</u>	<u>27,135,237</u>	<u>(67,531)</u>	<u>(387,497)</u>	<u>(671,024)</u>	<u>9,369,099</u>	<u>(2,005,771)</u>	<u>2,560,098</u>	<u>134,547</u>	<u>(11,545,788)</u>	<u>(1,289,440)</u>	<u>486,662</u>	<u>(3,262,216)</u>	<u>(261,589)</u>	<u>(72,166)</u>	<u>79,757</u>	<u>(1,053,409)</u>	<u>(87,545)</u>	<u>207,097</u>	<u>(189,421)</u>	<u>(269,609)</u>	<u>14,678,007</u>
<b>LONG-TERM ASSETS</b>																							
Property and equipment	3,363,843	3,703,438	9,225,565	3,125,390	3,762,796	367,263	4,974,754	5,587,017	2,400,802	3,896,173	3,513,907	79,644	35,533	4,337,556	1,466,366	-	676,525	1,301,724	199,496	24,380	2,791,487	145,127	54,978,786
Accumulated depreciation	(1,057,969)	(411,259)	(7,547,073)	(1,334,921)	(1,792,147)	(93,488)	(4,051,852)	(3,311,268)	(2,199,568)	(2,480,255)	(2,483,704)	(56,339)	(17,868)	(1,483,694)	(334,886)	-	-	(365,629)	(197,309)	(23,058)	(518,666)	(141,442)	(29,902,395)
Restricted cash - debt service and contingency reserve funds	-	-	2,044	-	-	-	-	183,747	52,840	199,356	-	-	-	-	401,999	-	-	-	-	-	-	-	839,986
Security deposits and other assets	3,210	19,032	292,991	-	-	-	891,363	266,422	-	257,733	-	-	45,281	5,545	3,725	-	-	63,850	24,665	57,800	-	9,435	1,941,052
Total long-term assets	<u>2,309,084</u>	<u>3,311,211</u>	<u>1,973,527</u>	<u>1,790,469</u>	<u>1,970,649</u>	<u>273,775</u>	<u>1,814,265</u>	<u>2,725,918</u>	<u>254,074</u>	<u>1,873,007</u>	<u>1,030,203</u>	<u>23,305</u>	<u>62,946</u>	<u>2,859,407</u>	<u>1,537,204</u>	<u>-</u>	<u>676,525</u>	<u>999,945</u>	<u>26,852</u>	<u>59,122</u>	<u>2,272,821</u>	<u>13,120</u>	<u>27,857,429</u>
Total assets	<u>\$ (110,421)</u>	<u>\$ 1,599,232</u>	<u>\$ 29,108,764</u>	<u>\$ 1,722,938</u>	<u>\$ 1,583,152</u>	<u>\$ (397,249)</u>	<u>\$ 11,183,364</u>	<u>\$ 720,147</u>	<u>\$ 2,814,172</u>	<u>\$ 2,007,554</u>	<u>\$ (10,515,585)</u>	<u>\$ (1,266,135)</u>	<u>\$ 549,608</u>	<u>\$ (402,809)</u>	<u>\$ 1,275,615</u>	<u>\$ (72,166)</u>	<u>\$ 756,282</u>	<u>\$ (53,464)</u>	<u>\$ (60,693)</u>	<u>\$ 266,219</u>	<u>\$ 2,083,400</u>	<u>\$ (256,489)</u>	<u>\$ 42,535,436</u>
<b>LIABILITIES AND NET ASSETS</b>																							
<b>CURRENT LIABILITIES</b>																							
Accounts payable and accrued expenses	\$ 16,896	\$ -	\$ 6,387,915	\$ -	\$ -	\$ -	\$ 670,769	\$ 182,312	\$ 201,855	\$ 841,445	\$ 17,160	\$ 117,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,576	\$ -	\$ -	\$ 8,470,083
Current maturities of loans payable	35,000	-	1,388,242	-	-	-	84,501	275,000	-	305,000	-	-	-	-	-	-	580,000	21,300	2,798	-	-	-	2,691,841
Total current liabilities	<u>51,896</u>	<u>-</u>	<u>7,776,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,270</u>	<u>457,312</u>	<u>201,855</u>	<u>1,146,445</u>	<u>17,160</u>	<u>117,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,000</u>	<u>21,300</u>	<u>2,798</u>	<u>34,576</u>	<u>-</u>	<u>-</u>	<u>11,161,924</u>
<b>LONG-TERM LIABILITIES</b>																							
Loans payable	198,805	-	590,931	-	-	-	20,529	1,990,000	-	2,145,000	-	-	-	-	-	-	-	125,543	-	-	-	-	5,070,808
Deferred revenue - HHAC	-	217,244	4,497	-	-	-	15,700	-	-	-	-	-	-	902,166	-	-	-	-	-	-	2,022,321	-	3,161,928
Deferred rent payable	-	-	333,630	-	-	-	997,433	-	-	-	70,902	-	-	-	-	-	-	-	6,920	-	-	-	1,408,885
Other liabilities	-	-	243,246	4,585	708	-	90,895	(1,850)	8,576	(805)	-	239,203	2,930	-	-	-	-	-	-	-	-	-	587,488
Total long-term liabilities	<u>198,805</u>	<u>217,244</u>	<u>1,172,304</u>	<u>4,585</u>	<u>708</u>	<u>-</u>	<u>1,124,557</u>	<u>1,988,150</u>	<u>8,576</u>	<u>2,144,195</u>	<u>70,902</u>	<u>239,203</u>	<u>2,930</u>	<u>902,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,543</u>	<u>6,920</u>	<u>-</u>	<u>2,022,321</u>	<u>-</u>	<u>10,229,109</u>
Total liabilities	<u>250,701</u>	<u>217,244</u>	<u>8,948,461</u>	<u>4,585</u>	<u>708</u>	<u>-</u>	<u>1,879,827</u>	<u>2,445,462</u>	<u>210,431</u>	<u>3,290,640</u>	<u>88,062</u>	<u>356,358</u>	<u>2,930</u>	<u>902,166</u>	<u>-</u>	<u>-</u>	<u>580,000</u>	<u>146,843</u>	<u>9,718</u>	<u>34,576</u>	<u>2,022,321</u>	<u>-</u>	<u>21,391,033</u>
<b>Non-controlling interest in Fitzpatrick Associates Limited partnership</b>																							
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	480,197	-	-	-	-	-	-	-	480,197
<b>NET ASSETS (DEFICIT)</b>																							
Unrestricted	(361,122)	1,381,988	19,116,707	1,718,353	1,582,444	(397,249)	9,303,537	(1,725,315)	2,603,741	(1,283,086)	(10,603,647)	(1,622,493)	546,678	(402,809)	(106,748)	(72,166)	176,282	(200,307)	(70,411)	256,643	61,079	(256,489)	19,645,610
Temporarily restricted	-	-	386,081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,000)	-	-	361,081
Permanently restricted	-	-	657,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	657,515
Total net assets (deficit)	<u>(361,122)</u>	<u>1,381,988</u>	<u>20,160,303</u>	<u>1,718,353</u>	<u>1,582,444</u>	<u>(397,249)</u>	<u>9,303,537</u>	<u>(1,725,315)</u>	<u>2,603,741</u>	<u>(1,283,086)</u>	<u>(10,603,647)</u>	<u>(1,622,493)</u>	<u>546,678</u>	<u>(402,809)</u>	<u>(106,748)</u>	<u>(72,166)</u>	<u>176,282</u>	<u>(200,307)</u>	<u>(70,411)</u>	<u>231,643</u>	<u>61,079</u>	<u>(256,489)</u>	<u>20,664,206</u>
Total liabilities and net assets (deficit)	<u>\$ (110,421)</u>	<u>\$ 1,599,232</u>	<u>\$ 29,108,764</u>	<u>\$ 1,722,938</u>	<u>\$ 1,583,152</u>	<u>\$ (397,249)</u>	<u>\$ 11,183,364</u>	<u>\$ 720,147</u>	<u>\$ 2,814,172</u>	<u>\$ 2,007,554</u>	<u>\$ (10,515,585)</u>	<u>\$ (1,266,135)</u>	<u>\$ 549,608</u>	<u>\$ (402,809)</u>	<u>\$ 1,275,615</u>	<u>\$ (72,166)</u>	<u>\$ 756,282</u>	<u>\$ (53,464)</u>	<u>\$ (60,693)</u>	<u>\$ 266,219</u>	<u>\$ 2,083,400</u>	<u>\$ (256,489)</u>	<u>\$ 42,535,436</u>

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

**HOUSING WORKS, INC. AND AFFILIATES**  
**Consolidating Schedule of Revenues and Expenses**  
**For the year ended June 30, 2015**

	LEX	JEFF	HWI	HWDC1	HWDC2	Bookstore	Thrift	HWS1	HWS2	HWS3	Willoughby	Food	Gotham	HWDC3	Bronx	Life	HULL	PITKIN	PHP	HIV	HW LYMAN	ATDN	Total	Eliminations	Total		
OPERATING REVENUES AND OTHER SUPPORT																											
Grants and contract services	\$ 670,603	\$ 539,046	\$ 3,654,822	\$ 1,021,743	\$ 845,051	\$ -	\$ -	\$ 451,880	\$ -	\$ 1,008,907	\$ -	\$ -	\$ -	\$ 735,592	\$ -	\$ 7,095	\$ -	\$ -	\$ 814,731	\$ 689,845	\$ 290,032	\$ -	\$ -	\$ 10,729,347	\$ -	\$ 10,729,347	
Bookstore sales	-	-	-	-	-	2,430,936	-	-	-	-	-	69,317	-	-	-	-	-	-	-	-	-	-	-	2,500,253	-	2,500,253	
Thrift shops sales	-	-	-	-	-	-	16,777,874	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,777,874	-	16,777,874	
Health service revenue	-	-	10,030,324	-	-	-	-	3,558,227	4,787,048	2,846,859	212,159	-	-	-	-	-	-	-	-	-	-	-	-	21,434,617	-	21,434,617	
Pharmacy revenue	-	-	-	-	-	-	-	-	-	1,329,466	-	-	-	-	-	-	-	-	-	-	-	-	-	1,329,466	-	1,329,466	
In-kind contributions	-	-	-	-	-	2,311,213	16,145,031	-	-	-	-	13,925	-	-	-	-	-	-	-	-	-	-	-	18,470,169	-	18,470,169	
Contributions	-	-	1,662,407	-	-	154,419	1,592,190	5,000	-	105,250	-	-	-	-	-	294	-	-	17,500	150,604	-	-	-	3,687,664	-	3,687,664	
Rental income on apartments	6,388	112,878	398,377	84,417	67,998	344,294	-	-	-	-	-	-	-	55,255	186,904	-	-	36,291	-	-	197,818	-	-	1,490,620	-	1,490,620	
Food services	-	-	-	-	-	184,366	-	-	-	-	-	2,507,378	-	-	-	-	-	-	-	-	-	-	-	2,691,744	998,326	1,693,418	
Other revenue	-	10,104	284,592	156,000	174,003	8,406	5,404	-	-	46,545	-	-	-	-	75,460	-	89,410	72,022	-	8,833	70,367	-	-	1,001,146	402,000	599,146	
Net assets released from restrictions	-	-	170,169	-	-	-	-	-	-	-	-	-	-	-	-	-	75,000	-	-	75,000	-	-	-	320,169	-	320,169	
Total operating revenues and other support	676,991	662,028	16,200,691	1,262,160	1,087,052	5,433,634	34,520,499	4,015,107	4,787,048	5,337,027	212,159	2,590,620	-	790,847	262,364	7,389	164,410	108,313	832,231	924,282	558,217	-	-	80,433,069	1,400,326	79,032,743	
EXPENSES																											
Salaries and wages	350,362	392,403	10,465,253	509,753	626,519	797,424	5,574,371	1,744,936	1,523,094	2,186,246	256,584	1,227,751	156,728	419,730	41,846	30,508	-	-	270,019	454,397	44,959	-	-	27,072,883	-	27,072,883	
Fringe benefits	81,318	102,181	2,271,574	121,099	170,624	149,016	1,041,691	348,916	284,623	428,047	48,875	229,432	29,288	106,583	7,820	5,744	-	-	66,582	115,585	8,402	-	-	5,617,400	-	5,617,400	
Professional service fees	3,981	22,149	914,364	5,319	8,387	12,284	124,216	87,773	69,038	155,235	5,609	22,397	(45)	15,771	16,012	278	-	464	5,710	-	672	-	-	1,469,614	-	1,469,614	
Contracted services	17,846	27,145	1,122,716	48,940	40,591	157,808	1,089,328	438,415	715,874	351,962	33,414	87,996	16,446	45,818	7,861	1,794	420	2,986	25,267	3,645	905	-	-	4,237,177	983,491	3,253,686	
Client stipends and reimbursements	-	-	184,436	32,415	2,054	-	-	28,916	30,630	19,223	-	18,051	-	9,034	-	-	-	-	46,927	-	-	-	-	-	371,686	-	371,686
Supplies	7,620	6,797	403,013	35,043	23,520	126,121	432,678	45,846	52,687	146,499	44,723	40,891	(48)	33,741	6,946	16	-	4,644	40,926	28,502	-	-	-	1,480,165	-	1,480,165	
Occupancy:																											
Office/retail	767	4,866	1,290,890	-	-	358,293	4,264,672	123,627	562,821	156,000	46,158	53,110	-	-	-	2,385	-	2,211	181,701	82,481	3,669	-	-	7,133,651	402,000	6,731,651	
Client	11,288	-	503,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	514,323	-	514,323
Utilities:																											
Office/retail	48,855	35,896	498,351	153,679	118,489	93,356	477,010	88,215	105,614	33,978	18,477	31,614	4,171	73,934	59,681	805	-	14,978	57,180	25,659	52,743	-	-	1,992,685	-	1,992,685	
Client	14,337	2,250	69,209	24	-	-	233	37	-	-	-	-	-	1,012	-	-	-	3,308	-	-	17,309	-	-	-	107,719	-	107,719
Transportation	19,291	6,463	451,848	960	700	2,381	376,558	138,300	224,744	191,752	5,750	38,574	-	6,720	397	-	-	41	9,513	3	4,310	-	-	1,478,305	-	1,478,305	
Equipment rental, repairs and maintenance	8,820	3,863	129,456	33,090	34,003	17,929	71,311	64,158	11,919	12,875	420	227,484	14	30,138	3,630	1	-	3,922	2,184	3,374	806	-	-	659,397	-	659,397	
Facility repairs and maintenance	20,289	28,659	33,398	63,239	47,701	11,663	108,690	9,497	16,788	14,290	1,178	1,424	-	54,279	54,344	-	-	34,256	8,006	813	35,025	-	-	543,539	-	543,539	
Client participation expenses	6,330	8,852	113,396	19,371	16,862	160,493	181,240	80,148	167,585	778,153	3,707	743,490	-	47,131	644	39	-	736	5,590	1,058	102	-	-	2,334,927	13,787	2,321,140	
Staff expense	150	660	179,069	4,944	4,348	6,824	27,313	5,417	2,614	15,836	277	9,941	-	1,326	-	-	-	-	14,746	-	-	-	-	273,465	1,048	272,417	
Insurance expense	12,447	13,179	240,214	23,948	19,119	29,212	196,418	57,194	57,207	35,132	10,993	23,600	-	28,203	27,550	769	-	1,384	19,197	2,245	-	-	-	798,011	-	798,011	
Depreciation and amortization	116,604	112,596	745,205	99,920	128,098	42,641	335,648	192,838	114,424	191,386	245,807	5,948	2,590	148,527	65,711	-	-	63,804	4,241	14,626	466,700	2,457	-	3,099,771	-	3,099,771	
Gifts-in-kind expense	-	-	-	-	-	2,500,253	16,777,874	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,278,127	-	19,278,127
Events expense	-	46	385,368	306	-	5,296	269,488	1,428	138	4,471	-	6,202	-	-	55	-	-	-	-	-	-	-	-	-	672,798	-	672,798
Interest and finance fees	16,594	-	413,127	-	28	4,171	243,648	166,743	266	175,992	-	211	-	-	347	-	746	19,169	-	873	-	-	-	-	1,041,915	-	1,041,915
Other expenses	363	275	263,779	488	4,370	630,499	356,494	1,037	964	10,160	15	7,335	-	542	3,353	121	-	2,586	8,231	9,696	143	-	-	1,300,451	-	1,300,451	
Management expenses	87,624	95,140	(5,323,040)	153,477	148,599	290,592	2,014,476	816,588	997,920	(56,736)	102,300	317,748	-	114,420	32,760	-	-	10,200	74,504	96,296	27,132	-	-	-	-	-	
Total expenses	824,886	863,420	15,354,661	1,306,015	1,394,012	5,396,256	33,963,357	4,440,029	4,938,950	4,850,501	824,287	3,093,199	209,144	1,135,583	330,283	42,460	1,166	164,689	825,778	853,999	662,877	2,457	-	81,478,009	1,400,326	80,077,683	
NON OPERATING REVENUES AND OTHER SUPPORT																											
Limited Partnership interest in loss (gain) of Fitzpatrick Ltd. Associates Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,240	-	-	-	-	-	-	-	-	67,240	-	67,240	
Total nonoperating revenues and other support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67,240	-	-	-	-	-	-	-	-	67,240	-	67,240	
Change in net assets before entrepreneurial contributions	(147,895)	(201,392)	846,030	(43,855)	(306,960)	37,378	557,142	(424,922)	(151,902)	486,526	(612,128)	(502,579)	(209,144)	(344,736)	(679)	(35,071)	163,244	(56,376)	6,453	70,283	(104,660)	(2,457)	(977,700)	-	(977,700)		
Entrepreneurial contributions	-	-	(531,248)	-	-	82,336	448,912	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in unrestricted net assets	(147,895)	(201,392)	314,782	(43,855)	(306,960)	119,714	1,006,054	(424,922)	(151,902)	486,526	(612,128)	(502,579)	(209,144)	(344,736)	(679)	(35,071)	163,244	(56,376)	6,453	70,283	(104,660)	(2,457)	(977,700)	-	(977,700)		
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS																											
Contributions	-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	75,000	-	-	50,000	-	-	-	325,000	-	325,000	
Net assets released from restrictions	-	-	(170,169)	-	-	-	-	-	-	-	-	-	-	-	-	-	(75,000)	-	-	(75,000)	-	-	-	(320,169)	-	(320,169)	
Increase in temporarily restricted net assets	-	-	29,831	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,000)	-	-	-	4,831	-	4,831	
Changes in permanently restricted net assets:																											
Changes in net assets	(147,895)	(201,392)	1,407,109	(43,855)	(306,960)	(44,958)	108,230	(424,922)	(151,902)	486,526	(612,128)	(502,579)	(209,144)	(344,736)	(679)	(35,071)											



**HOUSING WORKS, INC. AND AFFILIATES**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2015**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>		
Minority Health	93.137	\$ 195,110
Passed through Public Health Solutions:		
HIV Emergency Relief Project Grants	93.914	2,020,217
Passed through Health Resources and Service Administration:		
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	963,907
Passed through Substance Abuse and Mental Health Services Administration:		
Center for Substance Abuse Treatment	93.243	396,696
Total U.S. Department of Health and Human Services		<u>3,575,930</u>
<b>U.S. Department of Homeland Security:</b>		
Passed through United Way:		
Emergency Food and Shelter National Board Program	97.024	<u>1,000</u>
<b>U.S. Department of Housing and Urban Development:</b>		
Supportive Housing Program	14.235	1,827,540
Passed through NYC Human Resources Association:		
Housing Opportunities for Persons with AIDS	14.241	<u>1,456,443</u>
Total U.S. Department of Housing and Urban Development		<u>3,283,983</u>
Total Expenditures of Federal Awards		<u>\$ 6,860,913</u>

*The accompanying notes to Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.*

**HOUSING WORKS, INC. AND AFFILIATES**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2015**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant expenditures of Housing Works, Inc. and Affiliates (collectively, the “Organization”) for the year ended June 30, 2015. The information presented on this schedule has been prepared on the accrual basis of accounting and is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The Organization did not provide Federal funding to subrecipients during fiscal 2015.

**2. GRANT REVENUE FROM PUBLIC HEALTH SOLUTIONS**

The following fiscal 2015 grant revenue from Public Health Solutions is included within “Grants and contract services” in the accompanying consolidated statement of activities for the year ended June 30, 2015:

<b>Program Title</b>	<b>Grant Number</b>	<b>Fiscal 2015 Revenue</b>
Short-term Housing Services	14-STH-503	\$ 598,890
Medical Case Management	09-MCM-503	514,089
Early Intervention Services: Social Network Strategy in Non-Clinical Settings	11-EIN-503	51,983
Early Intervention Services: Social Network Strategy in Non-Clinical Settings	11-SNS-503	24,954
Early Intervention Services: Social Network Strategy in Non-Clinical Settings	11-EIN-760	5,545
Outreach to Homeless Youth	11-OHY-503	142,406
Mental Health Services	07-MSV-503	451,882
Ryan White Part A (Health Research, Inc.)	1347-15	59,958
HIV Law Project	06-ADV-660	<u>469,157</u>
Total		<u>\$ 2,318,864</u>

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
**Housing Works, Inc. and Affiliates:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Housing Works, Inc. and Affiliates (collectively, the “Organization”), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2016.

**Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
March 16, 2016

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
**Housing Works, Inc. and Affiliates:**

**Report on compliance for each major federal program**

We have audited the compliance of Housing Works, Inc. and Affiliates (collectively, the “Organization”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Organization’s federal programs.

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on each major federal program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on internal control over compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
March 30, 2016

**HOUSING WORKS, INC. AND AFFILIATES**  
**Summary Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Consolidated Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes  X  none reported

Noncompliance material to consolidated financial statements noted? \_\_\_ yes  X  no

**Federal Awards**

Internal control over the major programs:

- Material weakness(es) identified? \_\_\_ yes  X  no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ yes  X  no

Identification of major programs:

<u>Name of Federal Programs/Grantors</u>	<u>CFDA Numbers</u>
U.S. Department of Health and Human Services:	
Passed through Public Health Solutions:	
HIV Emergency Relief Project Grants	93.914
Passed through Health Resources and Service Administration:	
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	<u> X </u> yes ___ no

**HOUSING WORKS, INC. AND AFFILIATES**  
**Summary Schedule of Findings and Questioned Costs, continued**  
**For the year ended June 30, 2015**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None to report.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None to report.